

Message Text

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51

ACTION AF-18

INFO OCT-01 EUR-25 ISO-00 AGR-20 NSA-02 AID-20 CIAE-00

COME-00 EB-11 FRB-02 INR-10 RSC-01 TRSE-00 XMB-07

OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07

SS-20 STR-08 CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15

DRC-01 /206 W

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R 181532Z MAR 74

FM AMEMBASSY COTONOU

TO SECSTATE WASHDC 5987

INFO AMEMBASSY ABIDJAN

AMEMBASSY LONDON

AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS: BPRO, DM

SUBJ: DAHOMEY SUGAR REFINERY CONVENTION

SUMMARY: MRGD SIGNED CONVENTION MARCH 15 WITH LANG AFRIQUE OF CORAL GABLES, FLORIDA, AND LONRHO LIMITED OF LONDON FOR CREATION OF SUGAR REFINERY IN SOUTHERN DAHOMEY. TOTAL COST OF PROJECT WILL BE ABOUT \$80 MILLION. END SUMMARY.

1. PRINCIPAL PROVISIONS OF CONVENTION SIGNED MARCH 15 CREATING PARASTATAL ENTERPRISE FOR SUGAR REFINERY WERE THE FOLLOWING:

(A) ENTERPRISE WAS CREATED WITH NOMINAL CAPITAL OF CFA 2.5 MILLION TO BE CONTRIBUTED IN THE FOLLOWING MANNER:

MRGD: 65 PERCENT

LONRHO: 10 PERCENT

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LANG AFRIQUE: 5 PERCENT

ROKKO INVESTMENT TRUST: 20 PERCENT

ROKKO INVESTMENT TRUST IS LONDON FINANCIAL HOUSE BROUGHT INTO DEAL BY OLYMPIO OF LONRHO. ITS SHARE WILL BE FINANCED BY BOND ISSUE IN EURODOLLAR MARKET. AMERICAN EXPRESS BANKING CORPORATION MAY BECOME SHAREHOLDER BY BUYING 25 PERCENT INTEREST OF ROKKO'S INTEREST.

(B) ENTERPRISE WILL ENJOY MOST FAVORABLE STATUS POSSIBLE UNDER DAHOMEY INVESTMENT CODE.

(C) SUGAR PRICE TO SUPPLIER WILL BE FIXED BY MRGD AND OTHER SHAREHOLDERS TO GIVE ENTERPRISE "REASONABLE PROFIT MARGIN." IF MRGD FIXES PRICE UNILATERALLY, ANY LOSSES THAT RESULT WILL BE SUBSIDIZED BY MRGD. MARKET PRICE WILL BE FIXED BY MRGD AFTER TAKING ACCOUNT OF PRICES ON WORLD MARKET AND COMPANY'S CASH-FLOW NEEDS (TO SERVICE DEBTS AND PAY DIVIDENDS TO SHAREHOLDERS).

(D) IF MRGD ENFORCES A WAGE POLICY CONTRARY TO THAT PREVAILING ELSEWHERE IN DAHOMEY, ANY RESULTING LOSSES WILL BE SUBSIDIZED BY MRGD.

(E) MRGD HAS RIGHT TO PURCHASE ALL OUTSTANDING SHARES OF THE ENTERPRISE. IF IT EXERCISES THIS RIGHT, SHARES WILL BE PURCHASED AT PRICE EQUAL INITIAL PRICE PLUS 12 PERCENT ANNUAL COMPOUND INTEREST, MINUS ANY DIVIDENDS.

(F) MRGD WILL IMMEDIATELY APPOINT DELEGATION TO NEGOTIATE LOAN TERMS AND TAKE "ALL ACTIONS NECESSARY TO BEGIN CONSTRUCTION" OF REFINERY. (COMMENT: LOCAL LANG REP CODJIA SAID MARCH 18 DELEGATION TO BE NAMED SHORTLY, PROBABLY WITH PRESIDENTIAL FINANCIAL ADVISOR BABA MOUSSA AS HEAD. DELEGATION WILL TRAVEL WASHINGTON TO BEGIN TALKS WITH EXIM BANK WITHIN NEXT FEW WEEKS.)

2. REPS FROM EUROLOANS S.A. AND AMERICAN EXPRESS BANKING CORP., BOTH OF LONDON, ALSO VISITED COTONOU MARCH 15-16. PURPOSE OF VISIT WAS INVESTIGATE FINANCIAL VIABILITY OF PROJECT, AS THEY HOPE TO HANDLE BOND ISSUE ON EURODOLLAR MARKET. (BOND REVENUES WOULD BE CHanneled THROUGH ROKKO INVESTMENT TRUST, ACTING AS LIMITED OFFICIAL USE

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HOLDING COMPANY.) HOWEVER, BOTH OLYMPIO AND TEMPLE OF LANG EXPRESSED DISSATISFACTION WITH THEIR DEMAND FOR \$1 MILLION FEE AND "AGGRESSIVE ATTITUDE," AND ARE CONSIDERING TURNING TO U.S. BANKS FOR FINANCING EURODOLLAR PORTION OF PACKAGE. ANDERSON

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